

**MINUTES OF THE
ECONOMIC DEVELOPMENT AND REVENUE
APPROPRIATIONS SUBCOMMITTEE**

Room W140 West Office Building, State Capitol Complex

January 30, 2008

Members Present: Sen. Bill Hickman, Co-Chairman
Rep. Sheryl Allen, Co-Chairman
Rep. Jim Bird
Rep. Jackie Biskupski
Rep. Julie Fisher
Rep. Steven R. Mascaro

Members Excused: Sen. Gene Davis
Sen. Dan Eastman

Staff Present: Dr. Andrea Wilko, Chief Economist
Dr. Thomas Young, Economist
Jennifer Eyring, Committee Secretary

Note: A list of visitors and a copy of handouts are filed with the committee minutes.

Sen. Hickman called the meeting to order at 2:15 p.m.

Tax Commission

Dr. Thomas Young gave an overview of the Tax Commission Budget and Issue Briefs. The Tax Commission Line Item budget accounts for 90% of the budget and administers ten areas: Administration, Auditing, Multi-State Tax Compact, Technology Management, Tax Processing, Seasonal Employees, Taxpayer Services, Property Tax Division, Motor Vehicles, and Motor Vehicle Enforcement. The Commission is requesting intent language relating to commute and personal use of fleet vehicles for Motor Vehicles Enforcement Officers. Nonlapsing authority has been requested. The recommended budget for the Tax License Plates Production Line Item is \$2,785,300. Nonlapsing balances are expected to decrease over the next two years.

Rod Marrelli, Executive Director, Utah Tax Commission, answered questions from the committee.

Under the Liquor Profit Distribution Line Item, an additional \$440,800 is required by statute for deposit into the Alcoholic Beverage Enforcement and Treatment Restricted Account.

The Tax Commission Fee Schedule will need to be approved. There are two fee increases; Motor Vehicle Transaction Fee, and Temporary Permits. The Tax System Modernization project is expected to come in under budget. The Analyst recommends prioritizing \$2.1 million one-time funds from the Uniform School Fund and \$3.9 million one-time funds from the Sales and Use Tax Administration Fees as listed in the Governor's Budget. An alternative funding option was also provided.

In the Tobacco Settlement Account Issue Brief, the Commission is requesting one FTE to ensure the State is doing its due diligence in complying with the Tobacco Master Settlement Agreement, at a cost of \$76,000 ongoing funds and \$35,000 FY 2008 supplemental funds. The FTE would work with the Attorney General's Office. The Analyst presented two funding options.

Rod Marrelli addressed the need for and responsibilities of the FTE, and further explained the Tobacco Settlement enforcement and compliance.

Dr. Young reviewed the Postage Rate Increase Issue Brief. The Commission is requesting \$110,600 ongoing funds for FY 2009 and \$110,600 supplemental funding for FY 2008 to cover the costs of the postal rate increase in May 2007.

Julie Alsop, Tax Commission Budget Officer, answered questions concerning postage increases.

Dr. Young reviewed the Tax Payer Statements, Bulletins Issue Brief. The Commission is requesting \$167,300 for delinquent tax payer monthly statements, \$50,000 for tax bulletins, and \$36,000 for increased cost for income tax booklets. The Commission is requesting the first funding option listed in the Issue Brief.

Rod Marrelli answered questions from the committee.

Dr. Young addressed the Streamlined Sales Tax Issue Brief. Utah is not in compliance with national SST standards and will likely not be in the coming year. It is recommended that funding previously allocated from the Restricted Sales Tax Administration Fee Account be removed from the operating budget. The \$591,800 reduction is part of the Administration Line Item.

Rod Marrelli further explained the Streamlined Sales Tax program and answered committee questions. A handout outlining the Commission budget and intent language requests was distributed to the committee. The base budget has been approved. Intent language concerning nonlapsing authority and MVED Officer Vehicles was reviewed. Questions from the committee about MVED Officers were addressed. Building Blocks for the Commission were summarized with a total proposed increase of \$6,072,700. Supplemental requests are \$370,500 for FY 2008.

A question from a previous meeting about withholding amounts for state income tax was addressed in greater detail. Work continues to resolve and refine the tax tables and to address citizens' concerns. A new tax system vendor will be needed by 2010 since the current vendor

will no longer be providing that service.

Rep. Mascaro moved that the meeting adjourn. The motion was approved unanimously.

Sen. Hickman adjourned the meeting at 3:11 p.m.

Sen. Bill Hickman, Co-Chair

Rep. Sheryl L. Allen, Co-Chair